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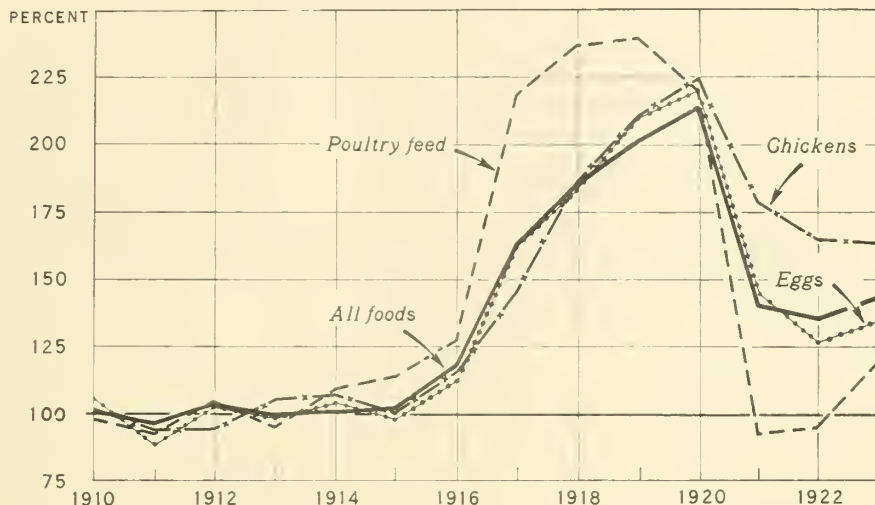
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OCTOBER 3, 1939

THE POULTRY AND EGG SITUATION

INDEX NUMBERS OF WHOLESALE FOOD PRICES AND FARM PRICES
OF POULTRY FEED, CHICKENS, AND EGGS, 1910-23

INDEX NUMBERS (1910-1914=100)

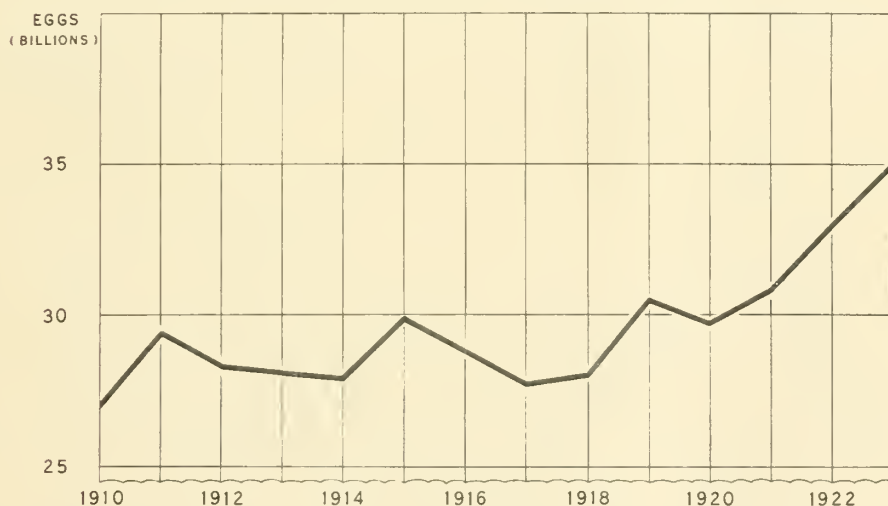


U. S. DEPARTMENT OF AGRICULTURE

NEG. 35737

BUREAU OF AGRICULTURAL ECONOMICS

FARM PRODUCTION OF EGGS, 1910-23



U. S. DEPARTMENT OF AGRICULTURE

NEG. 35738

BUREAU OF AGRICULTURAL ECONOMICS

THE PRINCIPAL EFFECT OF THE WORLD WAR ON THE POULTRY INDUSTRY WAS A RESULT OF CHANGES IN THE GENERAL PRICE LEVEL. DURING THE PERIOD FROM 1915 TO 1918, FEED PRICES ROSE FASTER THAN DID CHICKEN AND EGG PRICES, AND POULTRYMEN WERE IN A RELATIVELY UNFAVORABLE POSITION. DURING THIS PERIOD EGG PRODUCTION DROPPED OFF SLIGHTLY. IN 1921, FEED PRICES DROPPED MUCH MORE SHARPLY THAN DID CHICKEN AND EGG PRICES AND FROM 1921 TO 1923 POULTRYMEN WERE IN A FAVORABLE POSITION. AS A RESULT, EGG PRODUCTION INCREASED RAPIDLY.

THE POULTRY AND EGG SITUATION AT A GLANCE

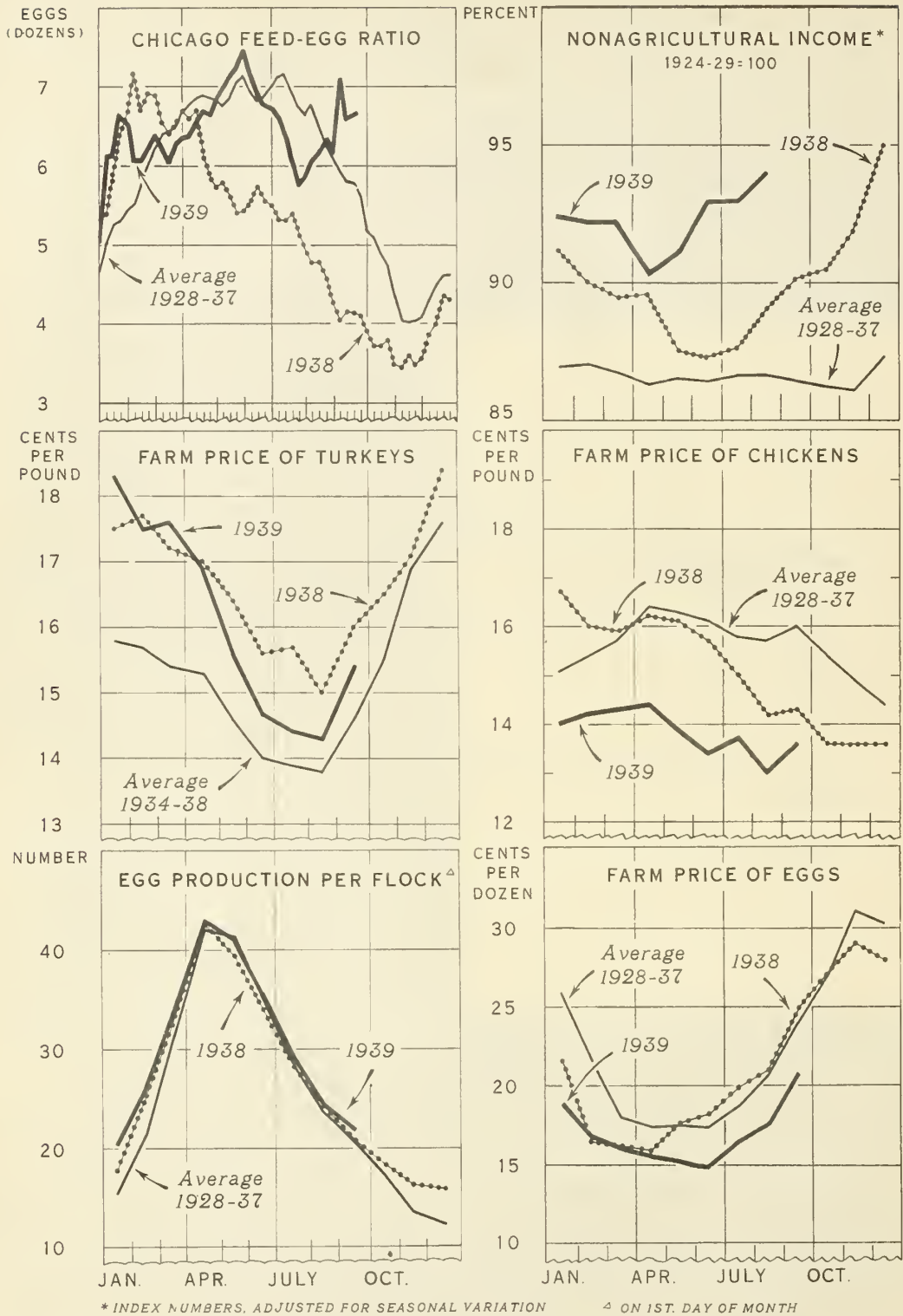


FIGURE 1

THE POULTRY AND EGG SITUATION

Summary

Market receipts of both dressed poultry and eggs are expected to continue larger this fall and winter than last, according to the Bureau of Agricultural Economics. Storage stocks of eggs and poultry are now larger than last year, and are expected to be above 1939 levels on January 1, 1940. The effect of these larger supplies on prices during the remainder of this year will be partly offset by the effect of larger consumer incomes. By the spring of 1940 the effect of increased consumer incomes may be relatively greater and more than offset the effect of the expected larger supplies as compared with a year earlier.

Usually at this season of the year, egg prices rise faster than feed prices. However, during the past 2 months feed prices have risen faster than egg prices. For the week ending September 23, 2.5 dozen more eggs were required to buy 100 pounds of poultry ration at Chicago than in the corresponding week in 1938. It is expected that more eggs will be required to buy 100 pounds of feed during the remainder of 1939 than were required last year and possibly more than the 1928-37 average.

As a result of the less favorable feed-egg ratio, hatchings during 1940 may be somewhat smaller than the relatively large hatch of 1939.

Production of turkeys this year is the largest on record - 22 percent more than in 1938, and 15 percent above the previous record high year in 1936. Turkeys are expected to prove less profitable to producers this fall than last. This may tend to curtail turkey production next year.

Since exports and imports of poultry and eggs have never represented more than a very small proportion of domestic production, it is not expected that the war will have much direct effect on the poultry and egg industry. The general stimulus to domestic business activity and consumer incomes will, however, add to the domestic demand for poultry and eggs.

Feed situation

In contrast to the usual seasonal decline in the number of eggs required to buy 100 pounds of poultry feed, the number increased from 5.76 dozen (based on Chicago prices) for the week ending July 29 to 7.08 dozen for the week ending September 9. By the week ending September 23, the number had declined to 6.66 dozen. The rise in the feed-egg ratio was largely a result of increasing feed prices, which were only partially offset by increased egg prices during September. It is expected that more eggs will be required to buy 100 pounds of feed during the remainder of 1939 than were required last year and possibly more than the 1928-37 average number. During the 4 weeks ending September 23, 59 percent more eggs than a year earlier were required to purchase 100 pounds of feed and 12 percent more than the 10-year average for the corresponding week.

Feed-egg ratio at Chicago
(Dozens of eggs required to buy 100 pounds of poultry ration)

Year	Week ending as of 1939											
	: Mar. :	June :	Aug. :	Sept. :	Sept. :	Sept. :	Sept. :	Sept. :	Oct. :	Oct. :	Oct. :	Dec. :
	: 25 :	24 :	26 :	2 :	9 :	16 :	23 :	30 :	7 :	14 :	21 :	23 :
	: Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :	Doz. :
Average :												
1928-37 :	6.51	6.87	6.26	6.06	5.94	5.31	5.79	5.63	5.19	5.10	4.89	4.61
1938 :	6.56	5.56	4.57	4.26	4.04	4.16	4.13	4.10	3.91	3.71	3.71	4.36
1939 :	6.28	6.78	6.33	6.13	7.08	6.59	6.66					

The total supply of all feed grains for the 1939-40 marketing season is expected to be about the same as a year earlier and about 4 percent above the 1928-32 average. However, numbers of livestock on farms, including poultry, are larger this year than last so that the supply per grain-consuming animal unit will be about 6 percent below last year, but about 6 percent above the 5-year average. The possible increase in the export demand for certain types of livestock and livestock products, as a result of the war, may tend to increase the domestic demand for feeds.

During and after the World War the poultry industry was greatly affected by changes in relative prices associated with the rise and fall of the general price level. From 1915 to 1918, a period of generally rising prices, feed prices rose faster than did chicken and egg prices, so that poultrymen were in a relatively unfavorable position. This is shown on the cover page. In 1921, following the war, feed prices dropped much more sharply than did chicken and egg prices and from 1921 to 1923 poultrymen were in a relatively favorable position. If the general price level should change rapidly during the present war, feed costs may be high in relation to poultry and egg prices during most of the period of increasing prices and low during most of any subsequent period of declining prices. During the course of the next 6 to 12 months, however, only a moderate increase in the general level of commodity prices is anticipated.

Spring hatchings

Because of the less favorable feed-egg ratio, hatchings in the spring of 1940 may be somewhat smaller than the relatively large hatch of 1939. Since 1925, a 3-year cycle in chicken numbers has been evident. This cyclical tendency is a further factor pointing to a smaller hatch in 1940.

Poultry marketing

During September, receipts of dressed poultry at the 4 principal markets were 9 percent larger than in the corresponding weeks of 1938 and 11 percent above the 1928-37 average. Receipts during the remainder of 1939 and early 1940 will probably continue larger than in the corresponding weeks of the 1938-39 marketing season because of the larger number of hens and young chickens on hand and the large increase in turkey production. Receipts in the latter half of 1940 may be somewhat smaller than in 1939 because of the expected smaller hatch.

Receipts of dressed poultry at 4 markets
(New York, Chicago, Philadelphia, Boston)

Year	Week ending as of 1939								
	Aug. : 26	Sept. : 2	Sept. : 9	Sept. : 16	Sept. : 23	Sept. : 30	Oct. : 7	Oct. : 14	Nov. 25
	:1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000
	:pounds	pounds	pounds	pounds	pounds	pounds	pounds	pounds	pounds
Average :									
1928-37:	5,153	5,437	5,332	5,662	6,161	6,351	6,733	6,980	28,385
1938	4,684	5,005	5,382	5,972	6,668	6,981	7,676	8,050	17,101
1939	5,624	6,081	5,183	6,413	7,371				

Fall and winter broilers

Some further increase in the number of fall and winter broilers to be raised in the principal commercial broiler-producing areas in the East is in prospect for the coming fall and winter, according to reports received from representative producers. Despite the fact that the past season was one of record high production and that prices were comparatively low, many commercial producers apparently were able to realize some profit in their operations. This was possible partly because of low feed prices and partly through efficient management resulting from commercial operations. The probable increase in feed costs will tend to reduce present indications of production for the coming season. Should any material expansion of production occur, it probably will more than offset any price advantage to be gained through a more favorable demand situation.

Poultry storage

As measured at the 26 major storing cities, a slight net out-of-storage movement of frozen poultry has continued during September. Last year a slight net into-storage movement occurred in that month. By early October the net into-storage season will probably be well under way.

The quantity of poultry in storage on September 23 was 4 percent above last year and 14 percent above the 1928-37 average, largely as a result of increased stocks of hens and turkeys. With marketings of poultry this fall expected to exceed those of 1938, it is likely that storage stocks by January 1, 1940 will also exceed those of a year earlier.

The into-storage movement of poultry during the latter part of 1940 is expected to be smaller than that of 1939.

Storage stocks of frozen poultry at 26 markets

Year	Week ending as of 1939		
	Jan. 7	Aug. 26	Sept. 23
	<u>1,000 pounds</u>	<u>1,000 pounds</u>	<u>1,000 pounds</u>
Average,			
1928-37	96,864	34,215	36,918
1938	93,601	39,070	40,250
1939	104,313	44,576	41,906

Chicken prices

In response to the general rise in commodity prices, chicken prices rose by more than the usual seasonal amount between August 15 and September 15. Prices received by farmers for chickens increased 0.6 cents per pound this year between those two dates, whereas last year prices rose only 0.1 cents,

and the 1928-37 average rise was 0.3 cents. Prices generally rise slightly in September because of the important Jewish holidays.

Chicken prices on September 15 were 0.7 cents below prices on the same date a year ago and were 2.4 cents per pound below the 1928-37 September 15 average. The effect on prices of larger market supplies of poultry during the remainder of 1939 will be partly offset by the effect of larger consumer incomes. During the spring of 1940, the effect of increased consumer incomes may more than offset the effect of larger supplies.

During the World War, chicken prices followed the same general trend as did all wholesale food prices. However, chicken prices dropped much less sharply in 1921 than did egg or food prices in general and continued above the other prices through 1923 and later years.

Price per pound received by farmers for chickens

Year	: Feb. : : 15 :	: Apr. : : 15 :	: June : : 15 :	: July : : 15 :	: Aug. : : 15 :	: Sept.: : 15 :	: Oct. : : 15 :	: Nov. : : 15 :	: Dec. : : 15 :
	: Cents	: Cents	: Cents	: Cents	: Cents	: Cents	: Cents	: Cents	: Cents
Average, 1928-37	: 15.4	16.4	16.1	15.8	15.7	16.0	15.4	14.9	14.4
1937	: 13.6	15.2	14.8	15.3	16.8	17.4	17.6	16.9	16.4
1938	: 16.0	16.2	15.7	15.0	14.2	14.3	13.6	13.6	13.6
1939	: 14.2	14.4	13.4	13.7	13.0	13.6			

Turkeys

The number of turkeys raised in 1939 was almost 32,000,000 birds, which was 22 percent more than were raised in 1938 and 15 percent more than the previous record crop of 1936. Large increases were reported in all areas. The average live weight of turkeys when marketed is expected to be slightly above that of last year. Although marketings began unusually early this year, the proportion of the crop to be marketed up to the end of November will be smaller than last year.

Indicated Number of Turkeys Raised

Region	Number Raised			1939 as a percent of 1938
	: 1931-35 : average	: 1938	: 1939 <u>1</u> / :	
	: Thousands	Thousands	Thousands	Percent
North Atlantic	: 1,054	1,661	2,021	122
East North Central	: 1,700	2,692	3,382	126
West North Central	: 5,736	7,829	9,942	127
South Atlantic	: 1,956	2,166	2,445	113
South Central	: 5,946	5,869	6,648	113
Western	: 4,694	6,062	7,519	124
United States	: 21,086	26,279	31,957	122

1/ Preliminary.

The present situation indicates that the turkey deal this fall will be less profitable to producers than in 1939. Prices received by farmers for turkeys on September 15 were 15.4 cents per pound, or 0.6 cents per pound lower than last year, and the price effects of larger marketings during the remainder of the season may be only partly offset by the effect of larger consumer incomes. Feed costs, on the whole, may be about the same as last year. Feed prices are higher than last year at present but were lower earlier in the year.

The less favorable outcome of the turkey deal this year and the prospective higher feed costs next year will probably result in a smaller production of turkeys in 1940.

Domestic demand

The moderate gains of recent months in conditions affecting the domestic demand for farm products were accelerated during September. Further improvement in business activity and consumer purchasing power is anticipated for the remainder of 1939.

The most logical appraisal of the longer time outlook at the moment appears to be: (1) greater recovery than had been expected in domestic industrial production during the next few months as inventories are built up in anticipation of advancing prices; (2) some readjustment following this initial spurt, until consumer buying and manufacturing activities can be brought into better balance under the new conditions created by the war, and the anticipated increases in export trade can be actually realized; followed by (3) a substantial lift in production predicated in part on a considerable increase in exports both actual and relative to our total production.

Index numbers of nonagricultural income (1924-29 = 100,
adjusted for seasonal variation)

Year	Jan.	Mar.	May	June	July	Aug.	Sept.	Oct.	Nov.
Average									
1928-37 ...	86.9	86.7	86.5	86.4	86.6	86.6	86.4	86.2	86.1
1937	92.6	94.8	96.8	96.8	97.9	98.2	96.9	96.4	94.6
1938	91.2	89.5	87.5	87.3	87.6	89.0	90.1	90.5	91.9
1939	92.4	92.2	91.1	92.9	93.0	1/94.0			

1/ Preliminary.

Foreign demand

It is unlikely that exports of poultry meats or of eggs and egg products will increase within the next year to a sufficient extent to

affect prices materially. Imports of poultry and egg products are likewise of little importance.

The table below shows how exports varied during the World War. Exports of shell eggs increased rapidly, but the peak in exports was not reached until the fiscal year 1919-20. In none of the years during or immediately following the war did the value of exports of eggs and egg products represent more than $2\frac{1}{2}$ percent of the cash farm income from eggs. Exports of poultry meats were of even less importance. There is little reason to believe that exports of poultry and egg products will increase to a greater extent in the present war than in the last war. Production of frozen and dried eggs could be expanded quickly, but it is not expected that any considerable proportion of the domestic egg production will be exported in this form, at least within the next year.

United States exports of eggs and egg products and of poultry meat,
fiscal year beginning July 1, 1909-20

Year	Exports	Value of	Value as	Value of	Value as
begin-	Exports	of eggs	a percent	of ex-	a percent
ning	of	and egg	of the	ports	of the
July 1	shell	products	value of	of	value of
	eggs	sold by	all eggs	poul-	all
		farmers	sold by	try	chickens
			farm-	meats	sold by
			ers		farmers
	1,000	1,000		1,000	
	dozen	dollars	Percent	dollars	Percent
Average					
1909-13	13,170	2,945	.80	899	.72
1914	20,734	5,093	1.22	1,188	.87
1915	26,396	6,345	1.53	1,561	1.12
1916	24,926	7,641	1.50	1,327	.82
1917	18,969	7,693	1.15	1,241	.63
1918	28,385	12,786	1.60	3,799	1.51
1919	38,327	19,432	2.11	1,628	.54
1920	26,960	11,453	1.47	1,065	.36

Laying flock size

The average size of laying flocks increased slightly from August 1 to September 1. Usually the flock size reaches a low point during August. Numbers on hand on September 1 were 4 percent above last year but 2 percent below the 1926-37 average.

The increase over last year in the number of pullets entering the laying flocks indicates that flocks will be somewhat larger during the

coming year than during 1939. However, the less favorable feed-egg ratio will tend to lessen the increase in flock size.

Average number of laying hens per farm
flock on the first day of the month

Year	Mar.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Number	Number	Number	Number	Number	Number	Number	Number
Average								
1928-37	82.3	70.9	66.8	64.2	63.5	68.6	73.8	79.8
1937	80.0	68.5	63.6	62.1	59.9	64.3	69.3	74.4
1938	75.8	65.0	61.6	59.3	59.8	65.6	72.5	78.0
1939	79.8	68.5	64.3	61.3	62.1			

Egg production

On September 1, egg production per hen was 2 percent above last year. The rate of lay exceeded that for any other September 1 on record except 1937 and was 10 percent above the 1928-37 average. The rate of lay during the remainder of 1939 will probably continue well above the 10-year average.

Total egg production per farm flock on September 1 was 5 percent above last year and 7 percent above the 10-year average. With some increase indicated in the number of layers next year and no great change probable in the rate of lay per bird, total egg production during the coming year may be slightly larger than in 1939, barring unfavorable winter weather.

Eggs laid per 100 hens and pullets of laying age in farm
flocks on the first day of the month

Year	Mar.	June	July	Aug.	Sept.	Oct.	Nov.	Dec.
	Number	Number	Number	Number	Number	Number	Number	Number
Average								
1928-37	37.7	50.1	42.8	37.1	32.7	25.5	18.1	15.2
1937	39.2	52.5	44.4	40.4	36.1	28.8	21.1	18.6
1938	42.2	52.9	46.5	41.2	35.3	28.2	22.3	19.9
1939	41.4	52.4	45.9	40.4	36.0			

During the World War, as a result of the unfavorable food-egg ratio, farm production of eggs dropped off slightly. However, with the favorable feed-egg ratio which existed immediately following the war, egg production increased rapidly. These changes are shown in one of the cover charts.

Since the poultry industry is much more commercialized now than it was before 1920, particularly with respect to hatching, production is likely to respond more quickly to favorable or unfavorable relationships between feed and egg prices.

Egg marketings

Receipts of eggs at the four principal markets continue to decline from the seasonal peak reached in May. During September, receipts were 12 percent above receipts a year ago but 8 percent below the 1928-37 average for these weeks. Because of the expected larger egg production, receipts in 1940 may be slightly larger than in 1939.

Receipts of eggs at 4 markets

(New York, Chicago, Philadelphia, Boston)

Year	Week ending as of 1939									
	Aug. : 26	2	9	Sept. : 16	23	30	Oct. : 7	14	Nov. : 25	
	: 1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	1,000	
	: cases	cases	cases	cases	cases	cases	cases	cases	cases	
Average :										
1928-37 :	202.6	201.6	188.8	187.5	186.4	175.1	172.1	152.6	125.8	
1938	168.9	158.4	144.8	163.7	160.9	136.0	142.5	145.1	113.9	
1939	183.6	187.4	173.8	168.8	176.2					

Egg storage

Combined holdings of shell and frozen eggs on September 1 this year were 10 percent above last year but 9 percent below the 1928-37 average. The out-of-storage movement is now well underway and, during the past month, has been about equal to the movement in the same period last year.

In 1938, storage eggs represented 30 percent of the total eggs consumed off farms in the months from September to December. Storage eggs were most important in November, when they represented 36 percent of all eggs consumed off farms. Thus stocks of shell and frozen eggs have an important effect on fall and early winter egg prices.

Storage stocks of eggs at 26 markets

Year	Week ending as of 1939						
	Storage : stocks :	Out-of-storage movement, Sept.					Storage : stocks :
	: Aug. 26	2	9	16	23	30	: Sept. 30
	: 1,000	1,000	1,000	1,000	1,000	1,000	1,000
	: cases	cases	cases	cases	cases	cases	cases
Shell :							
Average :							
1928-37 :	5,794	112	132	181	192	219	4,958
1938	4,448	160	193	189	186	172	3,548
1939	4,745	89	156	208	163		
Frozen :							
1938	2,141	46	39	71	77	44	1,864
1939	2,380	29	37	64	74		

Egg prices

Prices received by farmers for eggs increased 3.1 cents per dozen between August 15 and September 15, which was almost 1 cent less than last year and slightly less than the 1928-37 average increase between these two dates.

Egg prices on September 15 continued over 4 cents per dozen below last year and over 3 cents below the 10-year average for September 1. The effect on prices of larger supplies of eggs during the remainder of 1940 will be partly offset by the effect of larger consumer incomes. By early 1940 the effect of increased consumer incomes may be relatively greater and more than offset the effect of any probable increase in production as compared with a year earlier.

During and immediately following the World War, egg prices followed the same general trend as did all wholesale food prices.

Price per dozen received by farmers for eggs

Year	: Feb. : : 15	: Apr. : : 15	: June : : 15	: July : : 15	: Aug. : : 15	: Sept. : : 15	: Oct. : : 15	: Nov. : : 15	: Dec. : : 15
	: Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents	Cents
Average	:								
1928-37	: 21.6	17.4	17.4	18.7	20.6	23.9	27.0	31.1	30.3
1937	: 20.1	20.1	17.6	19.4	20.4	22.9	25.2	28.0	26.0
1938	: 16.4	15.3	18.2	19.9	21.0	24.9	27.1	29.0	27.9
1939	: 16.7	15.5	14.9	16.5	17.5	20.6			